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SUBJECT: MINISTER OF PLANNING SUPPORTS JOINT ECONOMIC PLAN

Classified By: Deputy Chief of Mission Daniel V. Speckhard for reasons
1.4 (b) and (d).

¶1. (C) Summary: The Treasury Attache and the Deputy Economic Minister Counselor met with the Minister of Planning, Ali Baban (Sunni- Tawafuq) on January 8 to seek his support for the Joint Economic Transition Plan. Minister Baban was enthusiastic about the framework, particularly the coordination of security and economic activities. His concerns were primarily with the details of implementation, and he said that a management structure should be established to ensure good coordination between U.S. and Iraqi efforts. He was pleased with the emphasis on productive jobs, GOI capital investment, and establishing security conditions to enable the private sector to do business. He agreed with the need to improve Iraqi budget execution and was optimistic that this year the GOI would perform better than last. He welcomed U.S. assistance to this effort. Minister Baban also discussed his reservations about the priorities in the 2007 draft budget. End Summary.

Positive Reaction to the Joint Economic Plan

¶2. (C) Minister Baban had already received a copy of the plan from DPM Salih, and appreciated its focus on improving both security and the economy, noting that the two goals were closely intertwined. He liked the joint Iraqi-U.S. approach, and noted that past U.S. assistance has "not been felt by the Iraqi people." He appreciated the emphasis on productive investment and real jobs, as opposed to 'make-work' programs. Minister Baban focused on the need for a coordinating structure to implement the plan, and said the he looked forward to working with us on the details of the implementation.

¶3. (C) Minister Baban agreed that the primary Iraqi challenge is to improve the budget execution rates. "Some of the Council of Ministers are angry with me because I told the media that only a fraction of the budget was executed," he said. The Treasury Attache said that the U.S. is ready to provide technical assistance, and encouraged the Minister to hold another budget execution conference to discuss and disseminate clear regulations. Minister Baban said that his staff is working on new guidelines based on a December 2006 conference, and that they would be sending recommendations to the Prime Minister for review in the next week.

Deficiencies in the 2007 Draft Budget

¶4. (C) "I gave my vote for the budget at the cabinet meeting because I wanted to move forward," Minister Baban (a Sunni) said, "but I have many reservations." He complained that 23% for capital projects is too low, the budgets for the Ministries of Interior and Defense were too high, and that

food subsidies and money for State Owned Enterprises were drains on the productive use of the nation's budget. Minister Baban also said that while the provincial budgets were split fairly along population lines, the provincial portions of the ministerial budgets were not. More specifically, many in the cabinet wanted to 'punish' Anbar for being problematic. Minister Baban disagreed with this approach, saying that it was important to invest in the 'hot' areas in order to improve the security situation.

KHALILZAD